

PUBLIC DISCLOSURE

APRIL 9, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FENWAL CREDIT UNION

400 MAIN STREET
ASHLAND, MA 01721

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Fenwal Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency as of April 9, 2001.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

This examination was conducted utilizing three of the five performance criteria for small institutions: 1) Average Loan to Deposit (Share) Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. The two geographical criteria were not considered as the institution defines membership by affiliation rather than geography.

The credit union's lending activity has demonstrated an upward trend during the current examination period. The credit union's loan to deposit (share) ratio has averaged 83.3% for the current examination period and was found to exceed the standards for satisfactory performance. The credit union demonstrated a reasonable distribution of loans among borrowers of different income levels and was found to meet the standards for satisfactory performance. Finally, the credit union has not received any complaints pertaining to its CRA performance and fair lending policies and practices are reasonable.

PERFORMANCE CONTEXT

Description of Institution

Fenwal Credit Union is a state chartered credit union serving the employees and retirees of Kidde-Fenwal Inc., Fenwal Safety Systems and Fenwal Electronics.

As of December 31, 2000, the credit union had total assets of \$2,268,852, with total loans of \$1,797,968 or 79.2% of total assets. The net loan to deposit (share) ratio, as of the same date was 92.8%. The credit union is primarily a consumer lender. Currently, the loan portfolio is comprised of automobile loans at 61.1% of total loans, credit cards at 29.0%; and real estate loans at 10.0%.

The criteria for the various types of credit offered was reviewed during the examination, as were the procedures for completing a loan application, and no practices intended to discourage applications were found. The credit union originates loans of all amounts, and rates, terms and conditions are competitive with other credit unions of similar size and type.

The credit union has one office located at 400 Main Street in the Town of Ashland. The hours at the main office are from 9:00 a.m. to 4:00 p.m. Monday through Friday. The credit union has no Automated Teller Machines (ATMs) nor is it connected to an ATM network. Currently, the credit union has 683 members.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of June 18, 1998. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area

According to the revised Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area. Fenwal Credit Union has elected to identify its assessment area in this manner.

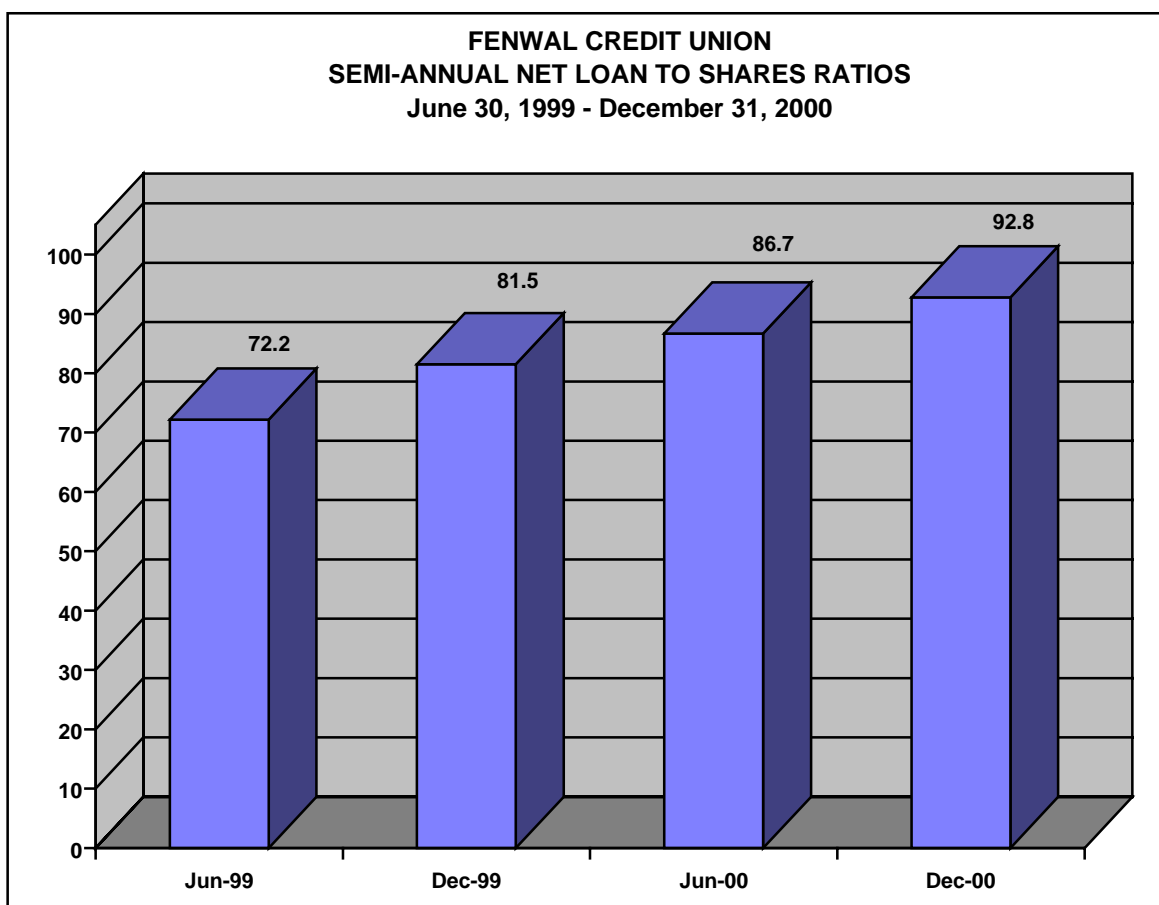
The Fenwal Credit Union by-laws state: " Membership in the credit union is limited to those who are employees of Kidde-Fenwal, Inc., Fenwal Electronics, and Fenwal Safety Systems. Membership eligibility also extends to immediate family members of the employee. The relationship of an immediate family member as defined for these by-laws will include, spouse, mother, father, sister, brother, children, legally adopted children, step-children, grandparents and grandchildren. A member or former employee who was a member or is a member of the credit union at the time his employment ended is eligible to remain forever or until his membership is interrupted."

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis was conducted of Fenwal Credit Union's loan to deposit (share) ratios. This analysis was conducted by utilizing the semi-annual NCUA 5300 Reports for the period June 30, 1999, through December 31, 2000. The average net loan to deposit (share) ratio for this period was determined to be 83.3%. This ratio is based on loans net of the allowance for loan losses as a percentage of total deposits (shares).

The following graph illustrates the loan to share ratios:



The credit union's loan portfolio has steadily increased by 17.7% during the current examination period. On the other hand the level of shares has decreased by approximately 8.2%. Consequently, the average loan to share ratio has significantly increased since the last examination. The prior examination dated June 18, 1998 reflected an average ratio of 61.5% compared to the current average ratio of 83.3%. Based on the above information, the credit union's resources, and the lending opportunities available for its membership, the credit union's net loan to deposit (share) ratio is considered to exceed the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the revised CRA regulations, 209 CMR, section 46.41, a credit union whose assessment area is not based on residence, such as the Fenwal Credit Union, may define its assessment area as its membership. Since Fenwal Credit Union has identified its assessment area in this manner, no geographical analysis of credit extended was performed.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of Fenwal Credit Union's distribution of credit to borrowers of different income levels was performed. The analysis considered consumer loans granted in 1999, 2000 and Y-T-D 2001. Based upon this analysis, the credit union's distribution of lending meets the standards for satisfactory performance.

Fenwal Credit Union extended 193 consumer loans in 1999, 220 consumer loans in 2000 and 73 consumer loans through April 9, 2001. A 10.0% sample of loans or approximately 71 consumer loans was reviewed in order to determine the distribution of credit based on the income levels of borrowers.

All of the consumer loans sampled were extended to borrowers residing in the Boston Metropolitan Statistical Area (MSA). The originations were categorized by the ratio of the applicant's reported income to the estimated 1999, 2000, and 2001 median family incomes of the Boston Metropolitan Statistical Area (MSA), which were \$62,700, \$65,500, and \$70,000 respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50% of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50% and 79% of the median family income level for the MSA. Middle income is defined as income between 80% and 119% of the median income. Upper income is defined as income equal to or greater than 120% of the median income.

The following tables present the distribution of consumer loans by number and dollar amount according to the year of origination and the totals (based on the sample) for the examination period.

CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER												
% Area Median Income	1999				2000				Y-T-D 2001			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$(000)	%

<50%	10	40.0	41	24.4	13	44.8	79	33.5	8	47.1	20	23.6
50 –79%	9	36.0	67	39.9	11	38.0	91	38.5	7	41.1	29	34.1
80-119%	5	20.0	41	24.4	5	17.2	66	28.0	1	5.9	22	25.9
120%>	1	4.0	19	11.3	0	0.0	0	0.0	1	5.9	14	16.4
TOTAL	25	100	168	100	29	100	236	100	17	100	85	100

Table 1-a: Source in-house Files, 1999, 2000 and Year-to Date (YTD) April 9, 2001.

% Area Median Income	TOTALS FOR ENTIRE EXAMINATION PERIOD			
	#	%	\$ (000)	%
<50%	31	43.7	140	28.7
50 –79%	27	38.0	187	38.2
80-119%	11	15.5	129	26.4
120%>	2	2.8	33	6.7
TOTAL	71	100	489	100

Table 1-b: Source in-house Files, 1999, 2000 and Year-to Date (YTD) April 9, 2001.

According to the analysis, 43.7% of the loans were made to low-income borrowers while 38.0% were made to moderate-income borrowers. Dollar amounts loaned to low-income borrowers stood at 28.7% somewhat below the distribution by number. However, 38.2% of the loan dollars distributed were granted to moderate-income borrowers which is consistent with their representation by number.

It should be noted that the majority of consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels may be somewhat overstated since the incomes of single applicants are compared to median family incomes which are generally higher. This comparison has the result of somewhat skewing the distribution towards the low and moderate-income levels. Nevertheless, the distribution demonstrates the credit union's willingness to lend to borrowers of all income levels.

Based upon the analysis of consumer loans by borrower income, it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate-income. Therefore, the credit union is considered to meet the standards for satisfactory performance for this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned above, since Fenwal Credit Union identifies its assessment area as its membership, no analysis of the geographical distribution of credit was performed.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

Fenwal Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The credit union has adopted a formal Fair Lending Policy as part of its Lending Policy. The policy encompasses the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 - 101.

STAFF TRAINING

Fair lending training of the credit union staff is conducted informally, primarily through written correspondence and verbal communication. The manager has attended lending seminars sponsored by the Massachusetts Credit Union League. Training included all aspects of fair lending and equal credit opportunity. The manager has informed the administrative assistant of all CRA related issues related to lending.

STAFF COMPOSITION AND COMPENSATION

As of the date of examination, Fenwal Credit Union's staff consists of 2 full-time employees.

The loan officer and the credit committee underwrite loans. Employees are paid a salary, and are therefore encouraged to originate loans of all amounts.

OUTREACH

The credit union's outreach program is based on management's and board members ongoing contact with the membership to assess and ensure that it is aware of its credit needs.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union does not offer any specific products which feature flexible underwriting criteria.

MARKETING

The credit union maintains an active and inclusive marketing program in order to insure that its members and potential members are aware of the types of credit and deposit accounts currently available.

The credit union distributes a credit union information package through the Human Resource Department of Kidde-Fenwal to newly hired employees.

CREDIT EDUCATION

The credit union has not sponsored or participated in any credit education seminars. However, the staff answers any questions regarding the application process.

COUNSELING

The credit union refers members in need of credit assistance to appropriate consumer credit counseling services. Management of the credit union provides general information regarding credit management in an informal format.

SECOND REVIEW PRACTICES

In order to ensure that policies and procedures are not discriminatory, as well as for quality control purposes, the Credit Committee reviews all loans recommended for approval and denial.

INTERNAL CONTROL PROCEDURES

The credit union engages the services of an outside auditing firm to assist in the assessment of the credit union's financial, managerial and procedural position. Additionally, policies relating to retail services, including noncredit products and services provided to the credit union's membership, are reviewed on a regular basis.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

FENWAL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 9, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.